

Jay Bennett
Director-
Federal Regulatory

SBC Communications Inc.
1401 I Street, N.W.
Suite 1100
Washington, D.C. 20005
Phone 202 328-8889
Fax 202 408-4805



ORIGINAL

September 14, 1998

EX PARTE OR LATE FILED

Memorandum of Ex Parte Communication

Magalie Salas
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RECEIVED

SEP 14 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Ms. Salas:

Re: *CC Docket No. 96-98 – Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; Regarding Reciprocal Compensation for Information Service Provider Traffic*

On Friday, September 11, 1998, Mr. Dale Robertson, Senior Vice President – FCC for SBC Telecommunications, Inc. and the undersigned met with members of the Commission's Common Carrier Bureau to discuss the above-listed proceeding. Attending from the Bureau were Mr. Jim Schlichting, Deputy Chief, Ms. Tamara Preiss, attorney and Ms. Katherine Schroder, attorney.

SBC's representatives explained that meet-point billing, rather than reciprocal compensation, is the appropriate treatment for Internet traffic delivered to ISPs via CLECs. Meet point billing treatment is consistent with how other local traffic involving multiple carriers' facilities is handled. Meet point billing is appropriate because companies are compensated for the use of their facilities by the service provider who receives the revenues from the actual customer. Due to the Commission's exemption from access charges for ESP-type traffic, Internet traffic under meet point billing arrangements would result in local exchange carriers retaining the revenues received from their end-user customers and the CLECs' retaining all revenues received from ISPs.

Because of the imbalance of Internet traffic, SBC estimates that the application of reciprocal compensation to such traffic could result in payments to CLECs exceeding \$150M during 1998. Today's rate structure provides SBC's operating companies no offsetting incremental revenue. As a result, SBC is examining ways to recover these costs, including the possible filing of a federal tariff establishing usage-sensitive

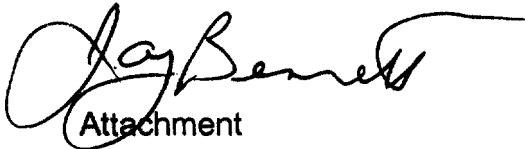
Handwritten signature: *021*
SBC Telecommunications, Inc.
1401 I Street, N.W.
Suite 1100
Washington, D.C. 20005
Phone 202 328-8889
Fax 202 408-4805

charges to its end-user customers for Internet traffic that results in reciprocal compensation payments to CLECs.

The attached materials were discussed during the meeting. We are submitting the original and one copy of this Memorandum to the Secretary in accordance with Section 1.1206(b)(2) of the Commission's rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me at (202) 326-8889 should you have any questions.

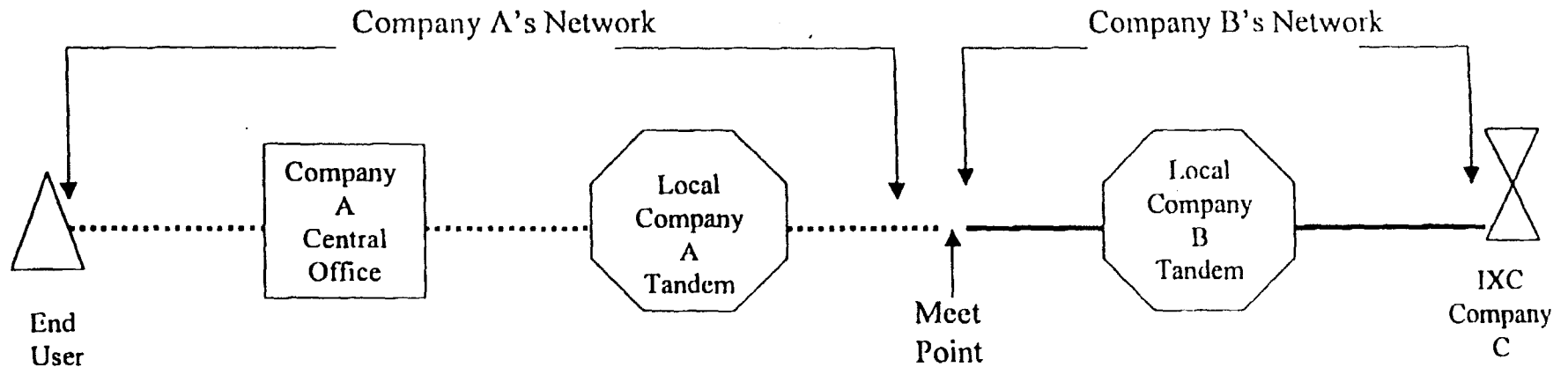
Sincerely,

A handwritten signature in black ink, appearing to read "Jay Bennett", with a long horizontal flourish extending to the right. The signature is written over the word "Attachment".

Attachment

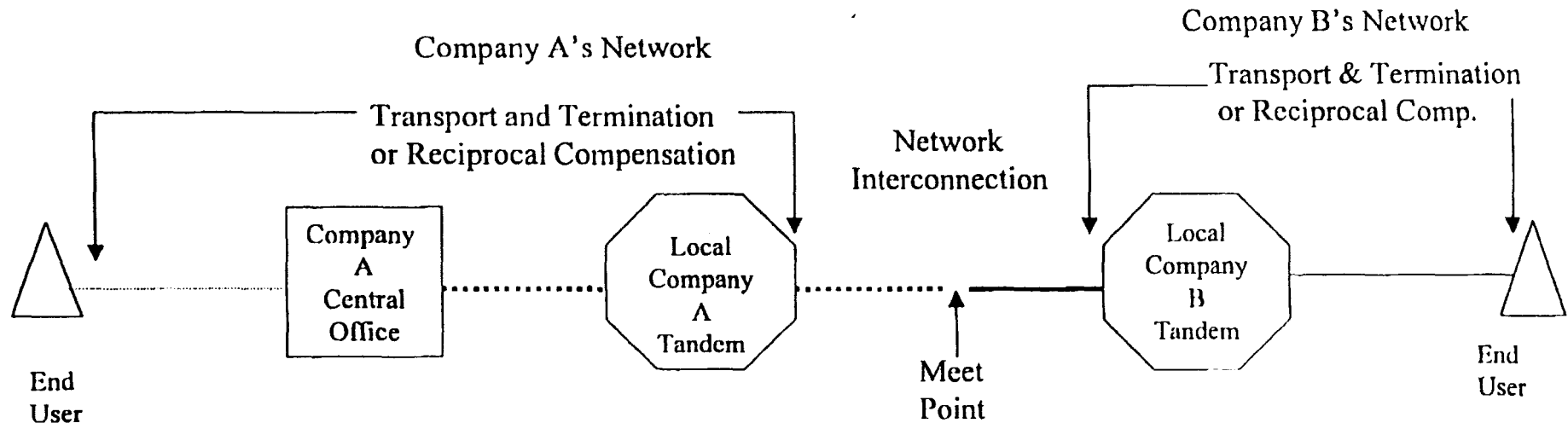
Cc (w/o attachments): J. Schlichting, T. Preiss, K. Schroder

Meet Point Billing



- Company C is providing toll service and collects revenues from end users for the provision of that service
- Company A's and Company B's facilities are being used by Company C to allow Company C to provide toll service to the end user (or to terminate a toll call to the end user);
- Company A bills Company C for the use of its facilities from (or up to) the Meet Point;
- Company B bills Company C for the use of its facilities from (or up to) the Meet Point;
- Neither Company A or Company B bill each other anything in connection with the transport of the call (that is, even though Company A may receive traffic from Company B, Company A does not charge Company B).

Local Interconnection



- Company A and Company B are participating in the provision of Local Exchange calling between their customers,
- Company A bills its customers for Local Exchange service;
- Company B bills its customers for Local Exchange service;
- Company A charges Company B for calls Company A terminates for Company B's end user;
- Company B charges Company A for calls Company B terminates for Company A's end user;
- Neither Company charges the other for the originating portion of Local Calls.

Status of Reciprocal Compensation for Internet Traffic
in the Seven State Territory
Served by SBC's Operating Companies

- **Arkansas** – State PUC has not ruled on whether Internet traffic is local and subject to reciprocal compensation payments. SWBT is withholding payment.
- **California** – State PUC ruling in complaint proceedings are pending. Pacific Bell is currently escrowing payment amounts.
- **Kansas** - State PUC has not ruled on whether Internet traffic is local and subject to reciprocal compensation payments. SWBT is withholding payment.
- **Missouri** - State PUC has ruled that Internet traffic is local and subject to reciprocal compensation payments. SWBT is withholding payment.
- **Nevada** – State PUC has not ruled on whether Internet traffic is local or subject to reciprocal compensation payments.
- **Oklahoma** – State PUC has ruled that Internet traffic is local and subject to reciprocal compensation payments. SWBT is withholding payment and hearings on the resulting complaint are scheduled for October 13, 1998.
- **Texas** – State PUC has ruled that Internet traffic is local traffic and subject to reciprocal compensation payments. On June 16, 1998 the ruling upheld by U.S. District Court, finding that Internet traffic has two components (local exchange and interstate information). SWBT is complying with the PUC ruling.